

Message Text

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PAGE 01 PORT O 03152 031223Z

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ACTION L-03

INFO OCT-01 ARA-06 ISO-00 TRSY-02 EB-07 COME-00 CIAE-00

INR-07 NSAE-00 /026 W

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R 011858Z DEC 76

FM AMEMBASSY PORT OF SPAIN

TO SECSTATE WASHDC 0050

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PASS LEGAL ADVISER (L)

E.O. 11652: N/A

TAGS: EINV, ETRD, BENC, BEXP, ECRE, TD RQ

SUBJECT: THE US-T&T CONVENTION ON DOUBLE TAXATION

AND PUERTO RICO

REF: (A) UST 164, (B) PORT OF SPAIN 642

1. WE INTERPRET CONVENTION ON DOUBLE TAXATION BETWEEN U.S. AND TRINIDAD AND TOBAGO SIGNED JANUARY 9, 1970, TO EXCLUDE BY DEFINITION BENEFITS FOR PAYMENT OF COMMONWEALTH TAXES BY PUERTO RICANS, BOTH BY LIMITING COVERAGE TO FEDERAL INCOME TAXES (ARTICLE 1, PARA (1), AND BY DEFINING UNITED STATES AS THE STATES THEREOF AND THE DISTRICT OF COLUMBIA (ARTICLE 2, PARA (1) (A) AND (E).

2. A PUERTO RICAN BIDDER (REXCO INDUSTRIES OF SAN JUAN JOINTLY WITH SAM P. WALLACE CO. OF PUERTO RICO) IS APPARENT WINNER OF CONTRACT TO BUILD WATER TREATMENT PLANT FOR TRINIDAD AND TOBAGO WATER AND SEWERAGE AUTHORITY FOR TOTAL COST OF ABOUT US\$41 MILLION. THIS REPRESENTS SUBSTANTIAL INVESTMENT OF FIRM'S RESOURCES, AND A NUMBER OF THEIR EMPLOYEES WILL BE DETAILED TO TRINIDAD TO SUPERVISE PROJECT OVER NEXT THREE YEARS. REXCO'S COUNSEL HAS RAISED QUESTION OF WHETHER CURRENT TREATY CAN BE INTERPRETED OR AMENDED TO PERMIT OFFSET OF COMMONWEALTH TAXES AND TRINIDAD AND TOBAGO

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PAGE 02 PORT O 03152 031223Z

CORPORATE AND INCOME TAXES FOR PUERTO RICAN INVESTORS.

3. EMBASSY CANNOT AT THIS STAGE PREDICT WHETHER GOTT WOULD BE AMENABLE TO MAKING APPROPRIATE MODIFICATIONS, AS WE DO NOT WANT TO RAISE QUESTION WITH THEM WITHOUT DEPARTMENT'S INSTRUCTIONS TO DO SO. THERE IS HIGH LEVEL INTEREST HERE IN EXPANDING TRADE AND INVESTMENT BETWEEN THE TWO ISLANDS, AS EVIDENCED BY INFORMAL CONVERSATIONS BETWEEN FORMER T&T MINISTER OF INDUSTRY AND COMMERCE MAHABIR AND COMMONWEALTH SECRETARY OF STATE ALBORS HELD LAST MARCH ON INVITATION OF PRIME MINISTER ERIC WILLIAMS (REF (B)M

4. WE UNDERSTAND FROM VARIOUS PUERTO RICANS CALLING AT EMBASSY THE FOMENTO IS SERIOUSLY INTERESTED IN PROMOTING JOINT VENTURES BETWEEN TRINIDADIAN AND COMMONWEALTH FIRMS. EMBASSY BELIEVES EXTENSION OF TAXATION TREATY RIGHTS TO PUERTO RICO-BASED FIRMS UNDERTAKING INVESTMENTS HERE WOULD BE BENEFICIAL TO DEVELOPMENT OF PUERTO RICO.

5. ACTION REQUESTED: THE EMBASSY WOULD APPRECIATE AT EARLY DATE A PRELIMINARY READING FROM THE LEGAL STAFF AS TO FEASIBILITY OF EXTENSION OF DOUBLE TAXATION TREATY TO PUERTO RICO, AND PRECEDENTS IF ANY. IF DOUBLE, WE RECOMMEND DEPARTMENT AUTHORIZE EMBASSY TO EXPLORE ISSUE INFORMALLY WITH GOTT. WE RECOGNIZE THAT ANY FORMAL ACTION WILL PROBABLY HAVE TO AWAIT INSTALLATION OF NEW GOVERNMENT OF PUERTO RICO, BUT MATTER IS OF SOME URGENCY TO REXCO, WHICH EXPECTS TO BEGIN WORK ON WATER TREATMENT PLANT IN MARCH 1977.

FAY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TAX AGREEMENTS, JOINT VENTURES, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976PORTO03152
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760448-0955
From: PORT OF SPAIN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761283/aaaacttw.tel
Line Count: 90
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION L
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 PORT OF SPAIN 642
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 21 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 JUL 2004 by BoyleJA>; APPROVED <29 OCT 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: THE US-T&T CONVENTION ON DOUBLE TAXATION AND PUERTO RICO
TAGS: EINV, ETRD, BENC, BEXP, ECRE, TD, RQ
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006